

Hope for Children Act

H.R. 622

What is the Hope for Children Act?

The Hope for Children Act is legislation to increase the adoption tax credit to \$10,000 for all adoptions and increase the employer adoption assistance exclusion to \$10,000. The legislation was introduced in the House of Representatives on February 14, 2001 by Rep. Pete King and the bipartisan Hope Coalition [Rep. Jim DeMint (R-SC), Rep. Jim Oberstar (D-MN), Rep. Spencer Bachus (R-AL), and Rep. Deborah Pryce (R-OH)]. The House bill mirrors the Hope for Children Act introduced in the Senate (S. 148) on January 23, 2001 by Sen. Larry Craig (R-ID) and Sen. Mary Landrieu (D-LA).

Why is the Hope for Children Act needed?

Many families who would like to open their home to a child are prevented or delayed in doing so by the high cost of adoption. Families can spend anywhere from \$8,000 to \$30,000 to adopt a child. We would like to help ease this financial burden to ensure that children quickly find a permanent, loving home.

Why is this matter so urgent?

For non-special needs adoptions, the current \$5,000 tax credit expires this year. The current \$5,000 exclusion for employer-provided adoption assistance also expires.

Will a \$10,000 tax credit be enough?

The Hope for Children Act is a healthy start to ensuring more children find a loving home. While some adoptions will cost well over \$10,000, raising the limit will aid more families in their efforts to adopt a child in need. The Hope for Children Act is indexed for inflation to ensure that the tax credit continues to rise alongside the cost of living. Additionally, the full credit can be claimed for adjusted gross income (AGI) up to \$150,000, and is gradually phased out for incomes between \$150,000 - \$190,000. The tax credit is exempted from the Alternative Minimum Tax.

When will families be able to claim the \$10,000 credit?

If the President signs the Hope for Children Act into law this year as written, families could claim the \$10,000 tax credit beginning with their 2002 tax returns.

Will a family be able to claim the full credit by spreading it over multiple years?

Yes, the credit can be applied against tax liability over five years or whenever the family reaches

the \$10,000 cap, whichever occurs first.

What are considered ‘qualifying adoption expenses’?

The Internal Revenue Service outlines ‘qualifying adoption expenses’ as “reasonable and necessary adoption fees, court costs, attorney fees, traveling expenses (including amounts spent for meals and lodging) while away from home, and other expenses directly related to, and whose principal purpose is for, the legal adoption of an eligible child.”

How does the Hope for Children Act affect special needs adoptions?

The \$6,000 adoption tax credit for special needs children is permanent law. However, the tax credit can only be utilized for qualified adoption expenses. While most special needs adoptions are from public agencies and do not have these up-front, ‘qualified’ costs, the adopting families face other challenges in opening up their home to special needs children. Thus, the Hope for Children Act would provide a flat \$10,000 credit for special needs adoptions to help families with one-time and ongoing costs such as mental health counseling, physical therapy and medical costs, transportation costs, and home modifications to accommodate wheelchair ramps or large sibling groups. States have their own definitions of special needs children and use determining factors such as the child’s age, ethnic background, siblings, and mental, physical or emotional handicap.

Do inter-country adoptions qualify for the adoption tax credit?

The Hope for Children Act applies to all adoptions - both domestic and inter-country. Like current law, in order to claim the tax credit for inter-country adoptions, the adoption must be finalized.

How does the employer adoption assistance exclusion work?

Under current law which is set to expire this year, up to \$5,000 in adoption assistance provided by an employer may be excluded from an employee’s taxable income. The Hope for Children Act would raise the exclusion amount to \$10,000 and make it permanent law. The exclusion would parallel the tax credit in all forms.